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WG-III M-5

August 29, 1956

EDAC Working Group III, Economic Defense Policy & PlanningMINUTES10:00 a.m. Tuesday, August 21, 1956

Room 230, SA-7

Attendance:State

Mr. Tuckerman, Acting Chairman

Mr. Habib

Miss Whitnack

Mrs. Young

Commerce

Mr. Shavell

Defense

Mr. VanSant

MDAC

Mr. Levin

Agriculture

Mr. Stugard

CIA

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MDAC, Committee Secretary

Agenda

1. WG-III Report in response to EDAC D-121

~~SECRET~~

SECRET

-2-

1. WG-III Report in response to EDAC D-121

Decisions

Points (a) and (b) in the Acting Chairman's memorandum of August 17 (attached) were accepted.

The following new point (c) was added: "Taking advantage of particular outstanding commodity or trade problems in free world countries which have made available to the Bloc an opportunity for increasing their influence."

A draft paper will be ready Monday morning, August 27, and the Working Group will meet Monday afternoon to review the paper.

Discussion

The Acting Chairman called attention to EDAC D-121 and stated that the assignment given Working Group III is to prepare by August 30 a concise summary report of Sino-Soviet bloc economic activities in the free world which have a direct relationship to economic defense policy. The Working Group is instructed to use the draft or final interagency report being prepared for the CFEP as its basic reference.

He felt that the instruction raises two questions which he discussed yesterday with Mr. Hale and Mr. Levin. The first stems from the part of the instruction which asks WG-III to use EIC-R-14 as the basic reference for its report. EIC-R-14 is confined to Bloc economic activities in the underdeveloped areas. Thus the question arises, whether or not we should refer to the trade between the Sino-Soviet bloc and the COCOM countries, to say nothing of Iceland, Yugoslavia, Finland, etc., insofar as those countries are not considered in the EIC report.

The second question derives from the fact that the instruction requests a report on those activities which have a direct relationship to economic defense policy. We must therefore consider how to delineate the EDAC terms of reference so that we do not attempt to report on U.S. foreign economic policy as a whole, but rather on an aspect of it consisting of economic defense policy.

The Chairman explained that to provide a basis for discussion at this meeting, he had drafted the memorandum dated August 17 (attached) which aims at delineating the report required of Working Group III.

In response to the Chairman's request for reactions, the MDAC member stated that with respect to the first question--extending the summary to cover countries which are not characterized as underdeveloped but which should be of interest--this extension would be welcome if it were possible within the time available. In answer to the second question--how to delineate what should be covered in this summary for EDAC--he agreed that the Chairman's delineation was the most manageable, least controversial, and a reasonable way to define it.

SECRET

SECRET

-3-

The Agriculture member believed that the delineation was acceptable.

The Commerce member said that his Department is of the opinion that, in addition to the objectives outlined, they would like to see the following two additions: (1) areas in which economic defense measures by the West might reduce the ability of the Bloc to penetrate the West, and (2) preventing "undue reliance" relationships developing for a free world country.

With respect to the first point, Commerce thought that it might be found that the U.S. could, to some extent, reduce the ability of the Bloc to penetrate the West through export control devices--by refusing them industrial machinery, electric power machinery, etc.

The Commerce member further pointed out that while the wording of his second point seems to be contradictory to the wording of (b) in the Chairman's memorandum, it is intended to be supplementary to it.

It was also his agency's view that the summary should report not only what has happened in these areas, but to propose what should be done about it.

The MDAC member pointed out that the Commerce proposal was not feasible because of the wording of the assignment. He would not agree that the economic defense community should not be interested in such matters as Commerce had suggested be added, or more interested in the future than it has been, but this was a problem that would be decided in the policy review being initiated by the Executive Committee simultaneously and, in the interest of getting the WG-III report out in the period allotted, he felt that the problem was difficult enough as limited by the Chairman's proposal. This additional requirement proposed by Commerce would require a time-consuming analytical job.

The Defense member stated that his agency accepts (a) and (b) of the Chairman's objectives but was confused by the final paragraph. He stated that the Commerce suggestions seem to follow along the lines of their thinking. He hoped that this report, within the limitations that it faces of time and space, could at least report on the type of things that would serve as the basis for eventually developing countermeasures.

In response to the Defense member's statement that he could not go along with any arbitrary limitation--that there should be freedom to consider other things in this report, the MDAC member pointed out that the freedom of the Working Group had been limited by the assignment unanimously agreed upon in EDAC.

At the suggestion of the MDAC member, as revised by Mr. Habib, a new paragraph (c) was added to the Chairman's proposal which would go part way toward meeting the Commerce proposal.

SECRET

SECRET

-4-

The Chairman requested the drafters of the report to endeavor to describe the relative significance, quantitywise, of the recent increase in the Bloc's economic activity with respect to the underdeveloped countries and the rest of the free world, and, if possible, to include qualitative remarks.

The Chairman proposed that Miss Whitnack, Mr. Habib and Mrs. Young undertake the task of preparing this draft, stating that if any of the members would like to assist he would be happy to have them do so.

Distribution

WG-III

SECRET

SECRET

-5-

Attachment

August 17, 1956

MEMORANDUM

TO: Members, Working Group III

FROM: Gustavus Tuckerman, Acting Chairman
Working Group III

SUBJECT: WG-III Report in Response to EDAC D-121

The following statement aims at delineating the report to the Executive Committee due August 30th. It has been discussed with the Chairman of this Committee.

It is suggested that the members of WG-III endeavor to come to the scheduled meeting prepared to agree on the scope of this report as rapidly as possible.

WG-III Report in Response to EDAC D-121

This report is confined to presenting those bloc economic activities, consisting of trade and development and technical assistance offers, the objectives of which have apparently included:

a) obtaining strategic imports, technology, and services, either by purchase or barter or by extending credit to finance the production of strategic imports; and

b) increasing the reliance of a country on trade with the bloc with the aim of exacting strategic imports from it.

The report thereby excludes reference to bloc economic activities undertaken in the pursuit of other objectives, political or economic, without reflecting any judgment as to whether any of those other activities are or should be considered of "economic defense" interest.

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